



**Department of Energy**  
Richland Operations Office  
P.O. Box 550  
Richland, Washington 99352

02-LMD-0015

Dr. L. J. Powell, Director  
Pacific Northwest National Laboratory  
Richland, Washington 99352

Dear Dr. Powell:

CONTRACT NO. DE-AC06-76RL01830 – FISCAL YEAR (FY) 2001 YEAR END  
EVALUATION OF BATTELLE FOR MANAGEMENT AND OPERATION OF PNNL

Enclosed is the DOE FY 2001 Year End Evaluation Report of Battelle's management and operation of PNNL. DOE's overall rating of Battelle's performance for FY 2001 is Outstanding. This rating is based on the Critical Outcome matrices identified for FY 2001, which earned a rating of Outstanding for each of the three Critical Outcomes.

This was the sixth year that the performance evaluation was centered on the attainment of mutually agreed upon Critical Outcomes and DOE continues to be very pleased with Battelle's overall performance. The strong partnership between DOE and Battelle has continued to move the Laboratory in the right direction and in an effective and efficient manner.

The RL review indicated that Battelle's performance generally exceeded expectations throughout FY 2001, and although some areas for improvement were identified, these were more than offset by the identified strengths throughout the organization. RL's evaluation of each of the Critical Outcomes generally agreed with Battelle's FY 2001 Annual Self-Evaluation Report for PNNL.

- The performance evaluations provided by the primary DOE-HQ program offices, which equated to 60 percent of the Scientific and Technological Excellence Critical Outcome, once again touted the high quality, externally recognized, scientific research and development programs managed by Battelle. Each of the HQ offices (Office of Science, Office of Assistant Secretary for Environmental Management, Office of Defense Nuclear Nonproliferation, Office of Intelligence, Office of Counterintelligence, Office of Assistant Secretary for Energy Efficiency and Renewable Energy, and Office of Assistant Secretary for Fossil Energy) rated overall performance as Outstanding. RL's review also noted the continued success of the Biomolecular Networks, Computational Sciences, and Nanoscience and Technology initiatives. Battelle continues to create and maintain strategic academic partnerships that strengthen the scientific capabilities of the Laboratory and have continued to have a significant impact on science, mathematics, and technology education.

- Battelle continued to conduct work and operate the Laboratory facilities with distinction, supportive of and integrated with the Laboratory's science and technology mission, and protective of workers, the public, and the environment throughout FY 2001. Each of the indicators measuring the Contractor's Integrated Safety Management (ISM) program; i.e., Total Recordable Case Rate, Lost Workday Case Incident Rate, Lost Workday Incident Rate, Spread of Radioactive Contamination, etc.; met or exceeded targets established for FY 2001. Battelle has shown exceptional progress in improving cost performance within the Laboratory and has continued to meet or exceed expectations within the business functional areas with one primary exception. Battelle's self-assessment and RL's evaluation rated the procurement functional area as Marginal. Battelle has reorganized this function in order to focus needed management attention on improving performance in this area. RL expects that Battelle will work closely with the RL Office of Procurement Services and the PNNL Site Office to achieve this goal. Measures of the contractor's ability to sustain and enhance the effectiveness of integrated Safeguards and Security indicated outstanding performance and our review found that the contractor has made excellent progress in establishing the processes required to better understand the current and future capability needs of the Laboratory and to then obtain or develop those identified capability needs.
- The Leadership Critical Outcome measured the contractor's leadership and regional partnerships that enables the Laboratory to become recognized as an enduring local, regional, and national asset. The eight companies in which the Laboratory had a role in establishment or expansion brought the total to 50 meeting the goal committed to by Battelle at the beginning of the current five-year contract. RL is very pleased with Battelle's efforts throughout the community in which they work and the innovative approaches and initiatives sought out by Battelle continue supporting the community's economic development activities. The contractor's performance in attracting, developing and retaining the critical staff necessary to achieve the mission of the Laboratory has been outstanding throughout FY 2001.

DOE continues to be very pleased with Battelle's overall efforts and performance in managing and operating the Laboratory and we look forward to working with you as we continue to shape the future of the Laboratory.

Based on the overall rating of Outstanding and in accordance with the fee determination section of Appendix E of the contract, Battelle has earned \$7,000,000 in performance-based fee for FY 2001. To date, Battelle has withdrawn \$6,300,000 of fee from their DOE letter of credit bank account. Battelle is hereby authorized to draw down the remaining \$700,000 in fee payment for FY 2001.

Dr. L. J. Powell  
02-LMD-0015

-3-

If you have any questions, please contact me, or your staff may contact Paul W. Kruger, Associate Manager for Science and Technology, on (509) 372-4005.

Sincerely,

Keith A. Klein  
Manager

LMD:TLD

Enclosure:  
FY 2001 Year End Evaluation  
for Battelle

cc w/encl:  
J. F. Decker, SC-1, HQ